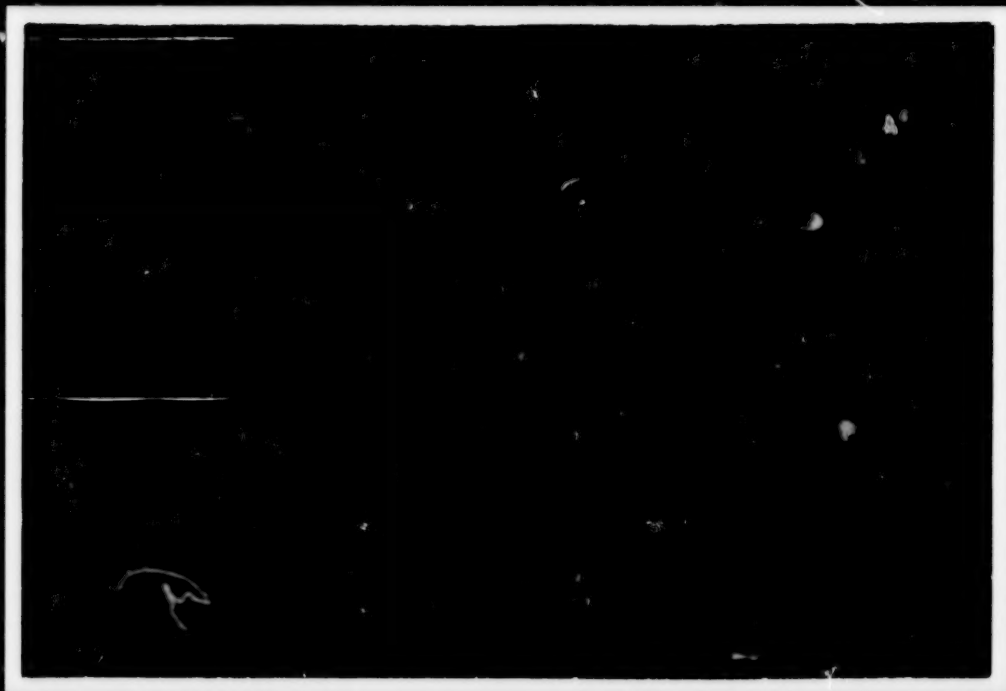


*An Innovative Approach to  
a Global Market*




Overseas Private  
Investment Corporation

ANNUAL REPORT

1994

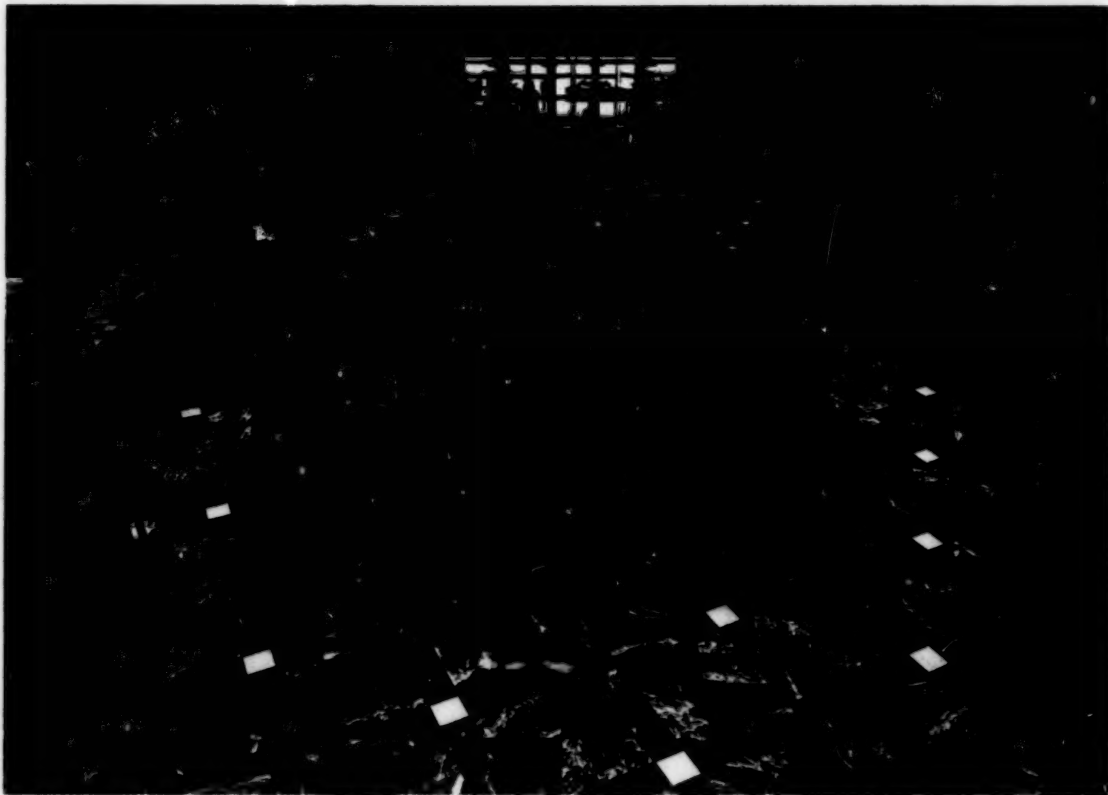




*This year's Annual Report focuses on infrastructure projects that the Overseas Private Investment Corporation is supporting in power, telecommunications, transportation and natural resources. Such projects — being undertaken by both small and large businesses — produce significant numbers of American jobs and substantial levels of exports.*

*OPIC supports a wide variety of U.S.-sponsored overseas projects in agribusiness, manufacturing, tourism and other sectors. OPIC welcomes project proposals from U.S. businesses of any size and from most industries and sectors.*

7-2



**Overseas Private Investment Corporation**  
**1994 Annual Report**



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**T**he numbers in this annual report tell an impressive story. By nearly every measure, the Overseas Private Investment Corporation just enjoyed the most productive year in its 23-year history. Our small, efficient and service-oriented staff is working harder than ever for American business.

OPIC's new insurance commitments doubled, from \$2.8 billion in 1993 to \$6 billion in 1994. Our finance commitments quadrupled, from \$415 million to \$1.7 billion. In every region, OPIC provided more support than ever to help American companies take advantage of new opportunities worldwide.

This growth was achieved with a keen eye on the bottom line — OPIC was profitable once again. In 1994, we earned four percent more than the previous year, showing a net income exceeding \$167 million. These results are good news for American taxpayers.

Next year looks even better. Demand from American companies for OPIC support and services is growing at an unprecedented rate. There are dozens of innovative, profitable projects in the pipeline that will create American jobs and exports, while helping to develop economies and expand markets overseas.

#### OCTOBER

First OPIC investment mission: to visit Russian Siberia.

OPIC investment mission to Bulgaria and Romania.

#### NOVEMBER

OPIC introduces key U.S. environmental companies to business opportunities during visit to Argentina, Brazil and Chile.

#### DECEMBER

OPIC raises project assistance limit to \$400 million in combined financing and insurance.

#### JANUARY

OPIC holds Houston investment conference on Russia and the New Independent States for U.S. oil & gas companies.

#### FEBRUARY

Kazakh, Ukrainian and Georgian presidents visit OPIC.

OPIC leads first U.S. Government investment mission to South Africa.

#### MARCH

OPIC Board approves more than \$1 billion in new projects.



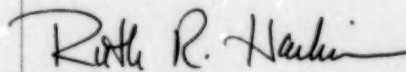
## A MESSAGE FROM THE PRESIDENT OF OPIC

To meet the growing demand for OPIC services, Congress and the Administration have increased funds available to the agency to ten times more than OPIC received two years ago. Time and again, President Clinton has asked OPIC to take on new assignments — in Russia and the former Soviet states, Central and Eastern Europe, South Africa, West Bank and Gaza, Asia and Latin America — that serve America's economic interests and foreign policy goals. As we move from old antagonisms to friendly relations based on investment and trade, OPIC is proving to be one of America's best tools for building

partnerships that lead to stable and prosperous economies.

Finally,  
everything  
these num-  
bers reveal  
was accom-  
plished with  
essentially the  
same staff as

last year — a group of energetic  
and talented professionals ready to  
help your company compete in the  
global marketplace.



RUTH R. HARKIN  
*President & Chief Executive Officer*

### APRIL

OPIC's Global  
Environment Fund  
is announced.

### MAY



First OPIC  
investment mission to  
the Russian Far East.

### JUNE

Two OPIC  
investment funds  
approved for the  
New Independent  
States.

### JULY

OPIC provides  
half a billion  
dollars in insurance  
and financing to  
three U.S. power  
projects in Asia.

### AUGUST

OPIC Ukrainian  
agribusiness  
mission visits the  
American Midwest.

### SEPTEMBER

OPIC signs historic  
bilateral agreement  
with Palestinians.

OPIC announces  
\$500 million  
for Russian projects  
at Clinton-Yeltsin  
Summit.



**S**ince it began 23 years ago, the Overseas Private Investment Corporation has provided financing and political risk insurance to U.S. companies investing in the developing world. Now doing business in some 140 countries and areas, OPIC is a financially self-sustaining U.S. Government agency founded on the idea that promoting private enterprise is the key to helping developing nations build their economies.

American private investment overseas is making significant contributions to the long-term prosperity of these countries. Moreover, this investment is essential to the continued growth of U.S. exports and the creation of American jobs.

In 1994, OPIC raised the limit on the amount of support it will provide an individual project to \$400 million — \$200 million in financing and \$200 million in insurance. In addition, the agency grew stronger financially. OPIC has accumulated more than \$2 billion in reserves, and is backed by the full faith and credit of the United States of America.

OPIC has more than two decades of experience with projects that help build a dynamic global economy and enhance America's role in it. Never has this experience been more valuable to American business than it is today. With OPIC support, American companies are strengthening our economy by expanding into new markets overseas.

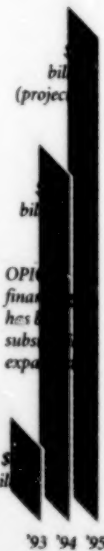
## AN INNOVATIVE APPROACH TO A GLOBAL MARKET

OPIC provides financing through direct loans and loan guaranties that provide medium- to long-term funding to ventures involving significant equity or management participation by U.S. businesses. Two types of financing are available for new ventures or expansion or modernization of existing, successful operations:

**Loan guaranties** — used typically for larger projects and ranging in size from \$10 million to \$200 million; and

**Direct loans** — reserved for small businesses and cooperatives and generally ranging from \$2 million to \$30 million.

OPIC can provide limited recourse project financing in countries where conventional financial institutions often are reluctant or unable to lend on such a basis. Rather than relying on sovereign or sponsor guaranties, OPIC provides "project financing," which looks for repayment from the revenues generated by the project. There must be a projected cash flow sufficient to pay all operational costs, service all debt, and provide an adequate return on the investment. To the extent that such financing is appropriate, sponsors need not pledge their own general credit beyond required completion undertakings. In ventures where project financing is impractical, OPIC will consider more conventional lending techniques.



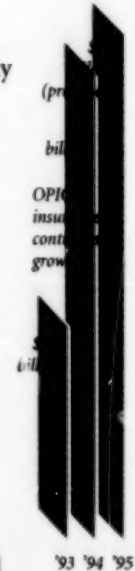
OPIC provides insurance against political risks overseas by providing insurance for American investments in new ventures and expansions of existing enterprises. OPIC offers insurance against the following political risks:

**Currency Inconvertibility** — inability to convert profits, debt service, and other remittances from local currency into U.S. dollars and transfer those dollars out of the host country;

**Expropriation** — loss of an investment due to expropriation, nationalization or confiscation by a foreign government; and

**Political Violence** — loss of assets or income due to war, revolution, insurrection, or politically motivated civil strife, terrorism or sabotage.

Coverage is available for equity investments, parent company and third party loans and loan guaranties, technical assistance agreements, cross-border leases, and other forms of investment exposure. Coverage also is available for contractors' and exporters' exposures, including unresolved contractual disputes; wrongful calling of bid, performance, advance payment and other guaranties posted in favor of foreign buyers; and other risks. OPIC has special programs for financial institutions, leasing, and oil and gas projects.



Since 1971, OPIC has supported investments worth more than \$73 billion, generating nearly \$40 billion in U.S. exports and creating more than 100,000 American jobs.

OPIC funds that leverage its financial resources in various regions and business sectors. Backed by OPIC guaranties, these funds target emerging markets around the world and are privately managed by successful, experienced management organizations well-versed in the business and political climates in which they operate.

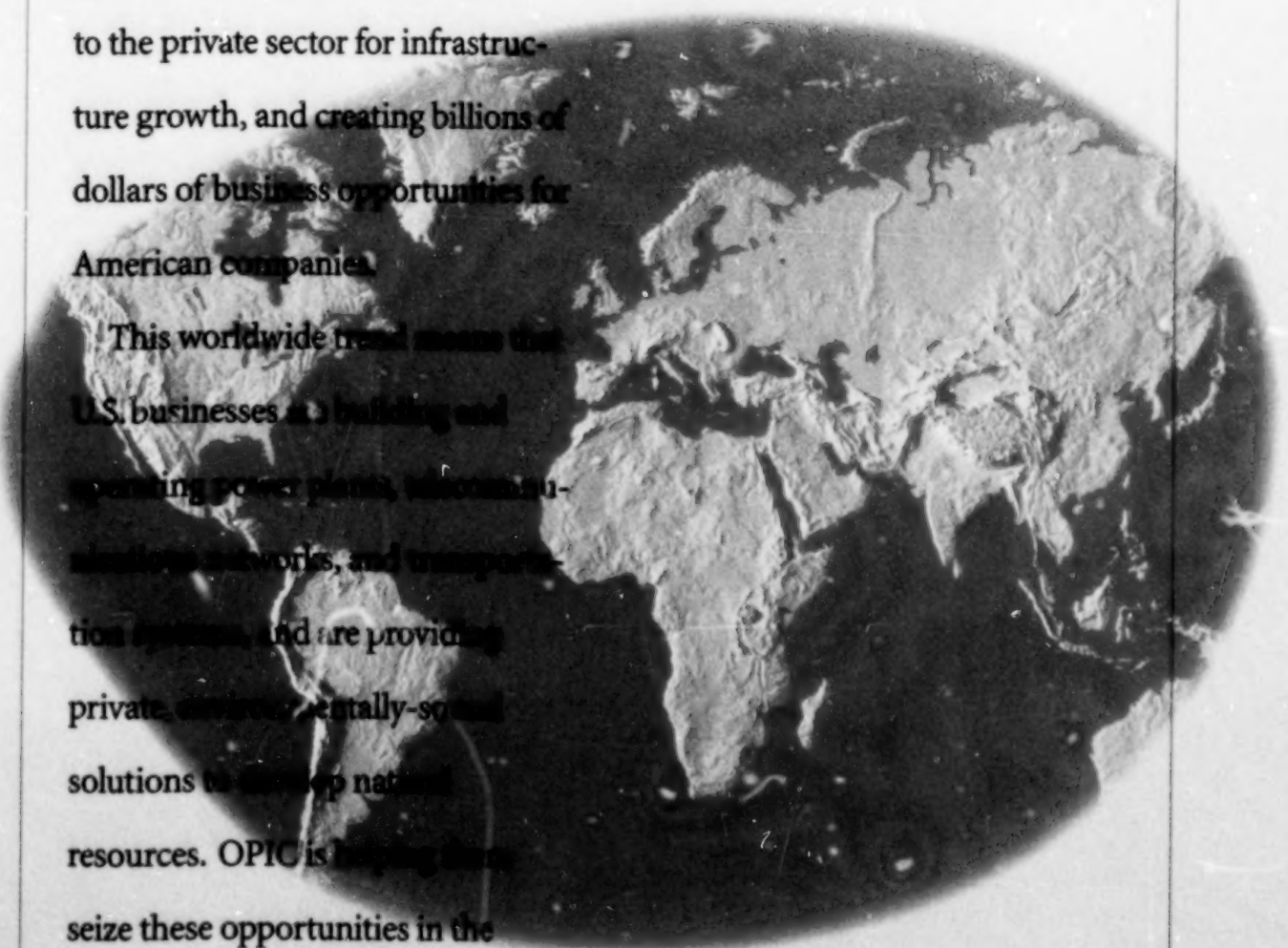
Institutional investors have capitalized these funds, and fund managers seek to participate in businesses that show promise of above average profitability. The funds offer capital in exchange for a minority share in these returns, and the fund managers contribute their specialized experience and often useful contacts that can benefit the long-term success of these businesses.





**R**arely has the world presented private investors with such a wealth of opportunities. While the countries of the developing world spend \$200 billion annually on infrastructure, still more is needed. Governments are turning to the private sector for infrastructure growth, and creating billions of dollars of business opportunities for American companies.

This worldwide trend means that U.S. businesses are building and operating power plants, telecommunications networks, and transportation systems, and are providing private, efficient, cost-effective solutions to develop natural resources. OPIC is helping them seize these opportunities in the rapidly expanding global market.



## THE CHANGING FACE OF INFRASTRUCTURE DEVELOPMENT

Infrastructure is the foundation upon which prosperous economies are built. It is the power to illuminate homes and run factories; the roads, rails, airways and seaways that transport people and goods; and the telephones and satellites that link nations and trading partners.

Faced with more demands than resources, governments are increasingly unable to build and maintain infrastructure, and the notion that public sector monopolies are the best system for managing infrastructure is being questioned. In many countries, [REDACTED] presenting new challenges and opportunities for private businesses.

To help solve their infrastructure problems, many foreign governments are applying the same private sector commercial principles of competition, accountability and efficiency that make market economies thrive. Government-owned facilities and natural resources are being privatized, opening the doors to private investment and financing. [REDACTED] in infrastructure projects through concessions, franchises, leases, service and management contracts, and other financial arrangements.

U.S. firms, large and small, are competing for and securing participation in these projects. Their businesses grow through the U.S. exports their investments generate, and their increased economic strength creates American jobs. As they build their market presence overseas, they are better able to meet aggressive foreign competition. Finally, American technology and expertise benefit the host countries by strengthening their private sectors, and laying the groundwork for expanded global trade.

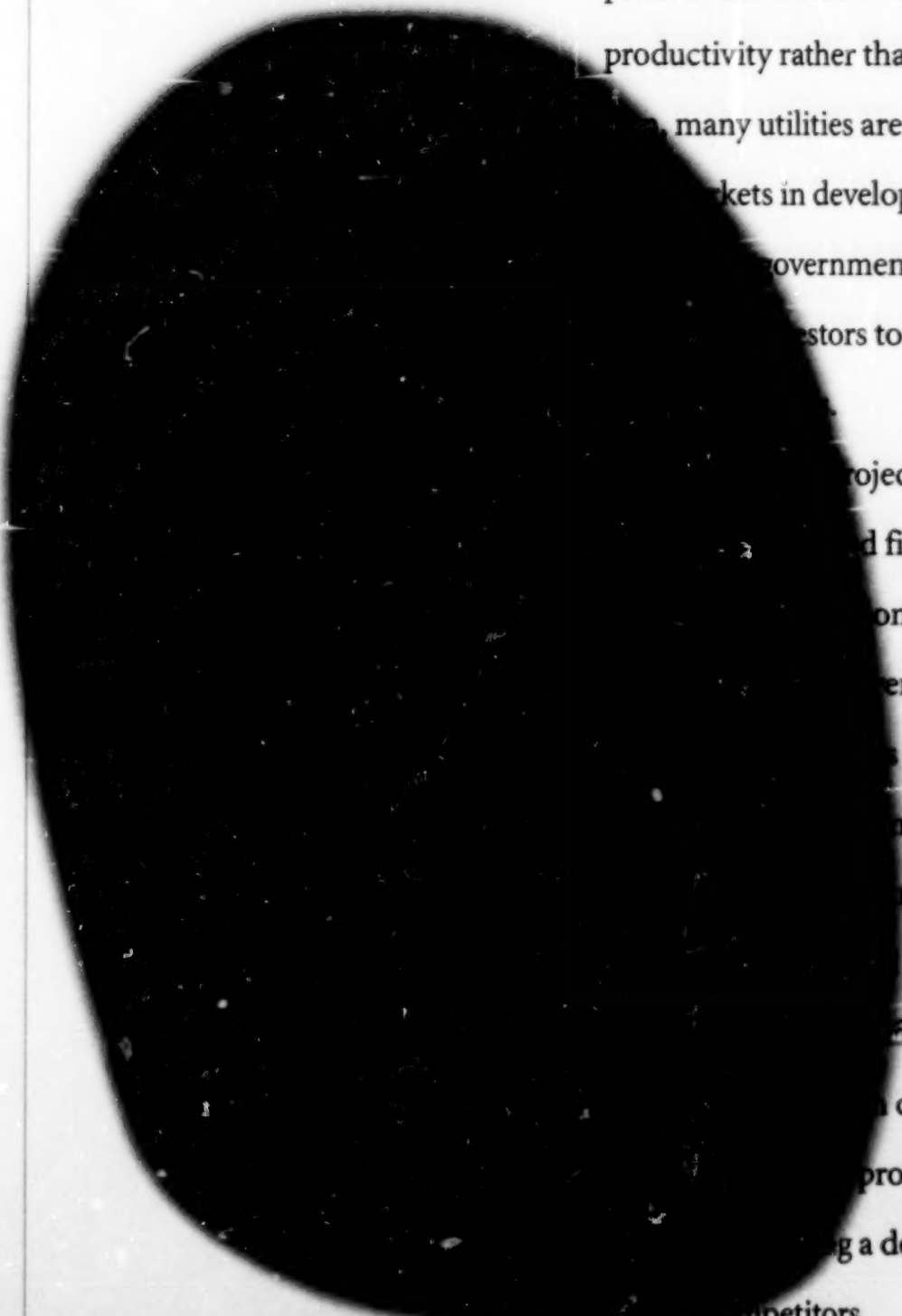
[REDACTED] for U.S. companies planning to invest in the infrastructure building blocks of the developing world. OPIC is able to make long-term commitments to your company's growth overseas by providing medium- to long-term financing, as well as supporting your investments with non-cancellable political risk insurance policies. Here are just some of the other ways OPIC can help:

- ❖ Cofinancing large projects with other lenders, including multilateral development banks.
- ❖ Insuring foreign government commitments to allow repatriation of dividends, profits and capital from the operation of private sector infrastructure projects.
- ❖ Providing debt financing for concessions received from foreign government entities — such as for cellular telephone service — and insuring the U.S. equity portion.
- ❖ Facilitating bank loans and leases with insurance coverage.
- ❖ Protecting against the arbitrary calling of irrevocable letters of credit posted with a foreign government when bidding on a project.
- ❖ Insuring that dispute resolution mechanisms in a contract will be honored and that payment will not be blocked for political reasons.

OPIC is a leader, continually redefining the cutting edge in the field of project finance and political risk insurance. With OPIC, many U.S. companies are strengthening their foothold in the global economy. If your company would like to join them, [REDACTED]







**A**s growth in the domestic power sector focuses on improving productivity rather than on expansion, many utilities are looking for new markets in developing countries. Governments are seeking private investors to build new power plants. Projects often require innovative financing structures, such as international consortia, or the purchase of equity by foreign firms. The experience of the most complex projects, such as those in once OPIC countries, is risk insurance. The reference to a company is profitable. The deal to its competitors.

## POWER

In the Philippines, more than 400 megawatts of additional electricity will be lighting homes and powering industries thanks to U.S. investment to reduce the country's severe electricity shortages. Private American investors are using one of the cleanest and most reliable sources of power — geothermal energy — to fuel two steam-powered generating plants being built on the Philippine island of Leyte.

To build one of the plants, OPIC provided a package of \$40 million in financing and \$100 million in insurance for a joint venture — CE Luzon Geothermal Power Company — formed by the California Energy Company and Kiewit Energy Company, both of Omaha, Nebraska. The guaranty backs funding for the plant's three-year construction period and the ensuing ten-year operating period.

A second OPIC guaranty for \$75 million, as well as \$200 million in insurance, is assisting a power plant being built by Visayas Geothermal Power Company on the same geothermal field. This project, being undertaken by Magma Power Company of San Diego, California, is expected to generate [redacted] valued at more than \$100 million.

In Turkey, which will need 1,000 megawatts of additional energy capacity annually for the next few years, OPIC is facilitating new investments by the U.S. private power industry. OPIC is providing \$85 million in financing for a landmark project — the first new power plant to be developed as part of Turkey's Build-Own-Transfer (BOT) reforms.

Enron Corp. and Wing International, Ltd. of Houston, Texas will build a 500-megawatt combined cycle gas turbine facility near Istanbul to provide power to consumers and businesses in northwestern Turkey. [redacted] the \$545 million project with the Export-Import Bank of the United States. The financing package was a key element to the undertaking, as no sources of long-term project funding previously existed for Turkey. OPIC is also providing \$200 million in insurance to the project.

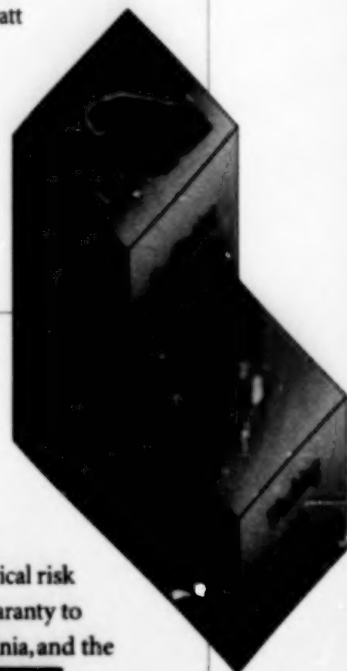
In Indonesia, OPIC is providing \$200 million in insurance to Mission Energy Company of Irvine, California, to build and operate one of the country's first [redacted]. The project will stimulate procurement of U.S. goods estimated at more than \$1 billion during its first five years in operation. This enormous 1.2 gigawatt plant in East Java will have a major impact on Indonesia, where only a third of the households have electricity. It will burn low-ash/low-sulfur coal, thereby reducing pollution emissions and using a local resource.

India, too, is turning to the private sector to strengthen its power infrastructure. In the process, the country is becoming one of the largest markets in the world for private power producers. OPIC provided \$150 million in political risk insurance and a \$75 million loan guaranty to AES Corporation of Arlington, Virginia, and the firm is [redacted].

AES will be expanding the Ib Valley Power Station in the eastern Indian state of Orissa by building and operating two 210-megawatt units of the coal-fired plant. The company will be participating in one of India's first power projects involving private firms.

A second power project in India — being undertaken by Enron Corp., Bechtel Group and General Electric — will be a 695-megawatt generating plant, built with \$100 million of OPIC financing and \$200 million in OPIC insurance. It will supply a substantial portion of the state of Maharashtra's electricity.

Aside from the benefits to India, the U.S. companies involved in these projects will be expanding their markets and generating a combined demand for nearly \$1 billion in U.S. exports.



**N**ew opportunities are opening up for telecommunications companies in overseas markets, particularly in Latin America, Asia and former communist nations. American companies can take the lead with technology, expertise and capabilities that are second to none.

With OPIC  
and more  
new

telecom  
investing with confidence.

## TELECOMMUNICATIONS

In Russia — spanning 11 time zones — vast rural areas dotted with small towns and abundant natural resources are still without modern telephone service. As Russia's petroleum, mineral and timber wealth spawns new business ventures, increased activity is calling for infusions of foreign investment to upgrade and install new telecommunications networks.

To meet this need, OPIC has responded with [REDACTED] of the former Soviet Union. A Seattle, Washington-based small business — Mid-Com Communications — has \$38 million in OPIC insurance backing its joint venture to expand Russia's telecommunications network and develop wireless communications in the far eastern region of the country. OPIC also provided \$25 million of insurance to International Business Communications Systems, Inc., of Sharon, Massachusetts. The company will be installing 65 satellite communications uplinks in mineral-rich rural areas from Moscow to Vladivostok, where land-lines are impractical and telephone service is largely nonexistent.

OPIC's increased funding is helping U S WEST to enter Russia's telecommunications market as well. The company is bringing new technology to link Russia's cities through intercity switches, wireless communications and business overlay networks.

OPIC helped to develop a unique structure for this project that involved U S WEST contributing its existing Russian investments to a Delaware holding company, the raising of new equity for the holding company via a private placement, and \$125 million in OPIC financing. Using this model, many joint ventures can be supported through one loan facility.

The project's financing package also features [REDACTED] since a portion of returns will be tied to performance of the company's stock rather than a fixed interest rate. OPIC is also providing political risk insurance to U S WEST.

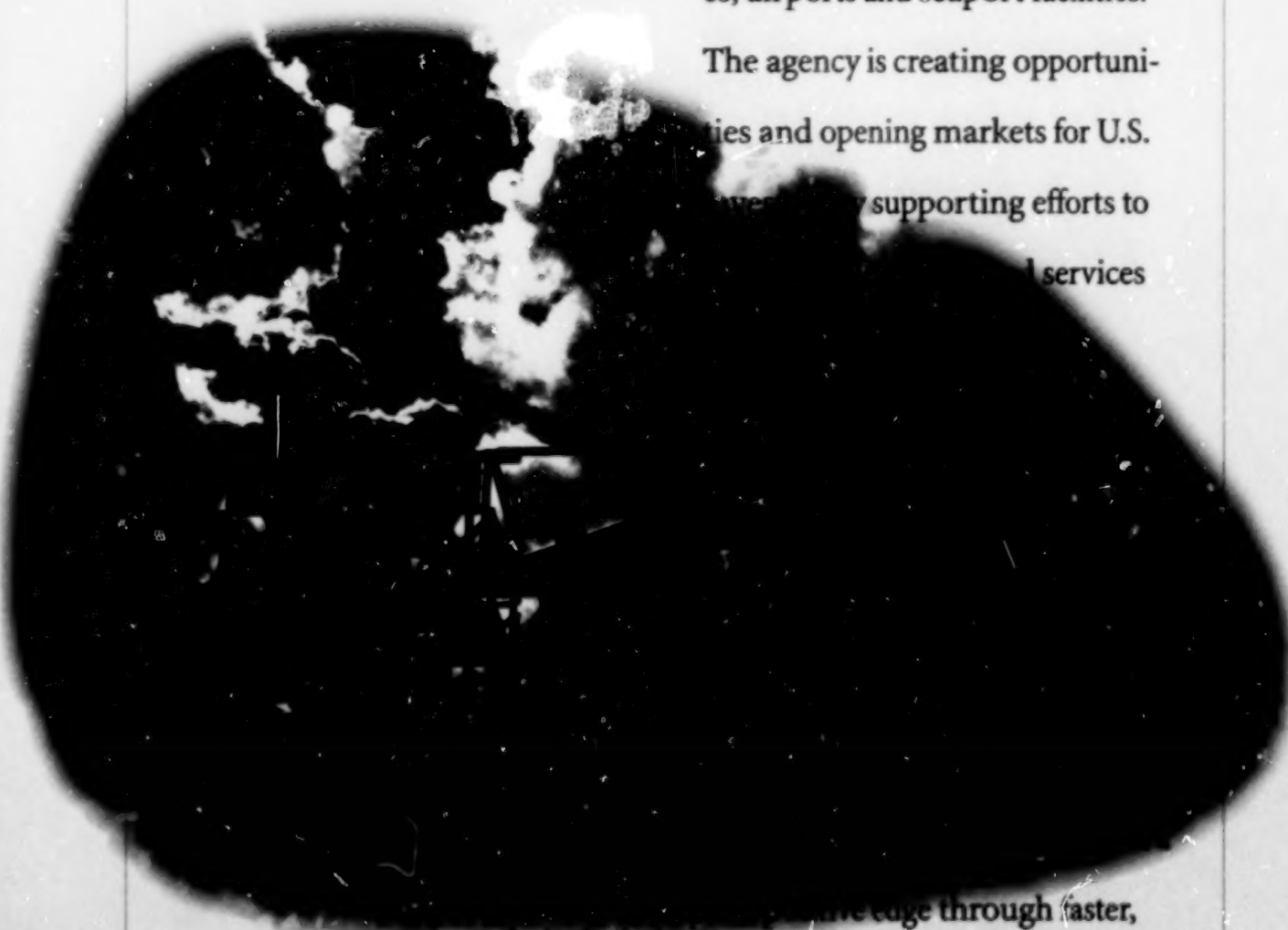
Three small rural American telephone companies — Consolidated Companies, Denver and Ephrata Telephone & Telegraph and HunTel Systems — joined forces with a small cable television holding company — United International Holdings — to privatize and modernize a land-line telephone and cable television system in the Monor region outside Budapest, Hungary. The companies entered into a joint venture with a consortium of 31 Hungarian municipalities, [REDACTED] to build a local telephone system. Supporting the venture is a \$30 million OPIC loan.

Argentina has undergone one of the most sweeping economic reform programs in the world and has privatized virtually all of its state-owned enterprises. Recognizing the potential telecommunications market in this rapidly advancing country, two leaders in the sector, GTE Mobile Communications International and AT&T International, joined a consortium of U.S. and Argentine corporate and institutional investors to supply, install and operate state-of-the-art cellular telephone networks in the greater Buenos Aires area. The project companies hold an exclusive two-year cellular license, awarded by the government through a competitive bidding process.

For this major undertaking, with estimated total costs approaching \$730 million, OPIC provided \$200 million in financing, taking advantage of its [REDACTED]

More than \$400 million in U.S. equipment, including cell-site systems, towers and generators, will be exported to Argentina for the project.





**T**ransportation and distribution networks are among the most critical elements of any economy. OPIC is leading the way by helping to build pipelines, roads, warehouses, airports and seaport facilities. The agency is creating opportunities and opening markets for U.S. companies by supporting efforts to improve infrastructure and services

...ive edge through faster, more cost-effective service and support networks.



## TRANSPORTATION & DISTRIBUTION

With increasing frequency, American companies are winning major transportation-related contracts for construction, technical, maintenance and managerial services. Much of this stems from privatization, which is [REDACTED] for American companies.

A case in point is the renovation and construction of a new airport terminal at Sangster International Airport in Montego Bay, Jamaica, in which OPIC is playing a key role. This project will increase the airport's capacity by 75 percent, providing a direct and substantial benefit to Jamaica's number one industry — tourism.

Citibank, N.A., which is arranging the funding to build and operate the new terminal, obtained \$90 million of OPIC insurance to mitigate political risks. Part of the funding for this project is being obtained through the issuance of convertible bonds, allowing for the privatization of the airport and boosting Jamaica's capital markets. This unique approach to privatization will allow the project's current lenders to become equity participants in the future.

Pipeline projects have the potential to generate substantial [REDACTED]

Some \$1.5 billion in U.S. procurement should flow from Enron Corp.'s joint venture with private Argentine and Colombian investors to design, build and operate a 350-mile natural gas pipeline between Ballena and Barrancabermeja, Colombia. OPIC backed Enron's equity investment with \$100 million in insurance coverage for the project, which will promote the use of environmentally friendly, clean-burning natural gas, one of Colombia's major resources.

OPIC is [REDACTED] — key way-points for U.S. products entering new and growing markets. In South Africa, Duracell Inc., will establish a battery sales and distribution facility backed by \$12.7 million in OPIC insurance, marking the company's return to South Africa.

OPIC insurance for a \$24.5 million loan made by First National Bank of Boston to Xerox Corporation will help strengthen that company's market presence in Argentina. The loan will leverage twice its value in trade financing for Xerox's Argentine customers, and significantly expand the distribution of its business equipment in the country.

In Russia, OPIC insured N C International Company for \$8 million to help the Seattle-based company open a distribution facility for Caterpillar heavy machinery and parts to serve the newly privatized mining industry in the Russian Far East.

The growing family of [REDACTED]

is supporting distributorships as well. The OPIC-backed Africa Growth Fund is financing the Gulf Africa Petroleum Corporation (GAPCO) as it expands its distribution of Exxon petroleum products in Tanzania and Uganda.

OPIC provided additional support in the form of \$8.1 million in insurance for the Africa Growth Fund's loan to GAPCO, as well as a \$15 million loan guaranty. GAPCO supplies gas stations and also holds contracts with the aviation, energy, transport and shipping industries. U.S.-made trucks valued at \$6 million will be purchased by GAPCO to increase the size of its fleet.



**N**atural resource projects have relatively high risks due to their substantial size, large capital requirements, and need for long-term commitments. When uncertain political and economic conditions compound the risks, commercial lenders are often reluctant to provide funding for such projects.

OPIC financing and special insurance coverages — including protection against arbitrary withdrawal of host government assets, exploration and development rights — add value to natural resource projects such as oil and gas and mining ventures in developing environments, allowing investors to concentrate on the commercial and technical challenges of a project.

## NATURAL RESOURCES

Russia has one of the largest proven oil reserves in the world, but extracting this essential resource from remote sites under harsh environmental conditions is a challenge for even the most experienced oil companies. OPIC is helping to bring Western technology, expertise and environmental management practices to Russia, expanding its oil production, assisting the country through its economic transition, and [REDACTED]

Anderman/Smith Overseas Inc., an OPIC insurance client, approached OPIC in January 1994 for financing to expand its ongoing U.S.-Russian joint venture at a remote Siberian oil field. OPIC approved \$40 million for the project two months later. OPIC also worked aggressively on behalf of Anderman/Smith by encouraging senior Russian officials to provide the company the necessary permits, licenses and approvals needed to secure the financing.

A second U.S.-Russian oil project gave OPIC the opportunity to tailor flexible financing to meet the client's special needs. OPIC is helping Snyder Oil Corporation finance the capital costs of its newly formed joint venture company, Permtex, by disbursing \$40 million in tranches over three years to match the project's implementation timetable. In view of the scarcity of long-term financing for projects in Russia, OPIC is giving Snyder the critical support it needs to move forward.

Oil and gas projects create a wide variety of [REDACTED] for U.S. firms. M-I Drilling Fluids Company of Houston, Texas will build and operate a barite grinding mill in Kazakhstan to produce drilling fluids for local oil producers. OPIC insured the project for \$2.7 million, providing another building block for the country's petroleum sector, which is fast becoming the foundation of the Kazakh economy.

In Africa, significant opportunities to develop natural resources led two U.S. companies, Walter International and Nuevo Energy, to combine their respective strengths to acquire and develop an off-shore oil producing property off the coast of the Republic of the Congo. Walter, with its operational experience in sub-Saharan Africa, and Nuevo, noted for its expertise in seismic mapping and modeling, approached OPIC for funding, without which the project could not go forward. OPIC committed a package of \$50 million in financing and \$100 million in political risk insurance to the project, [REDACTED]

in the growing African marketplace.

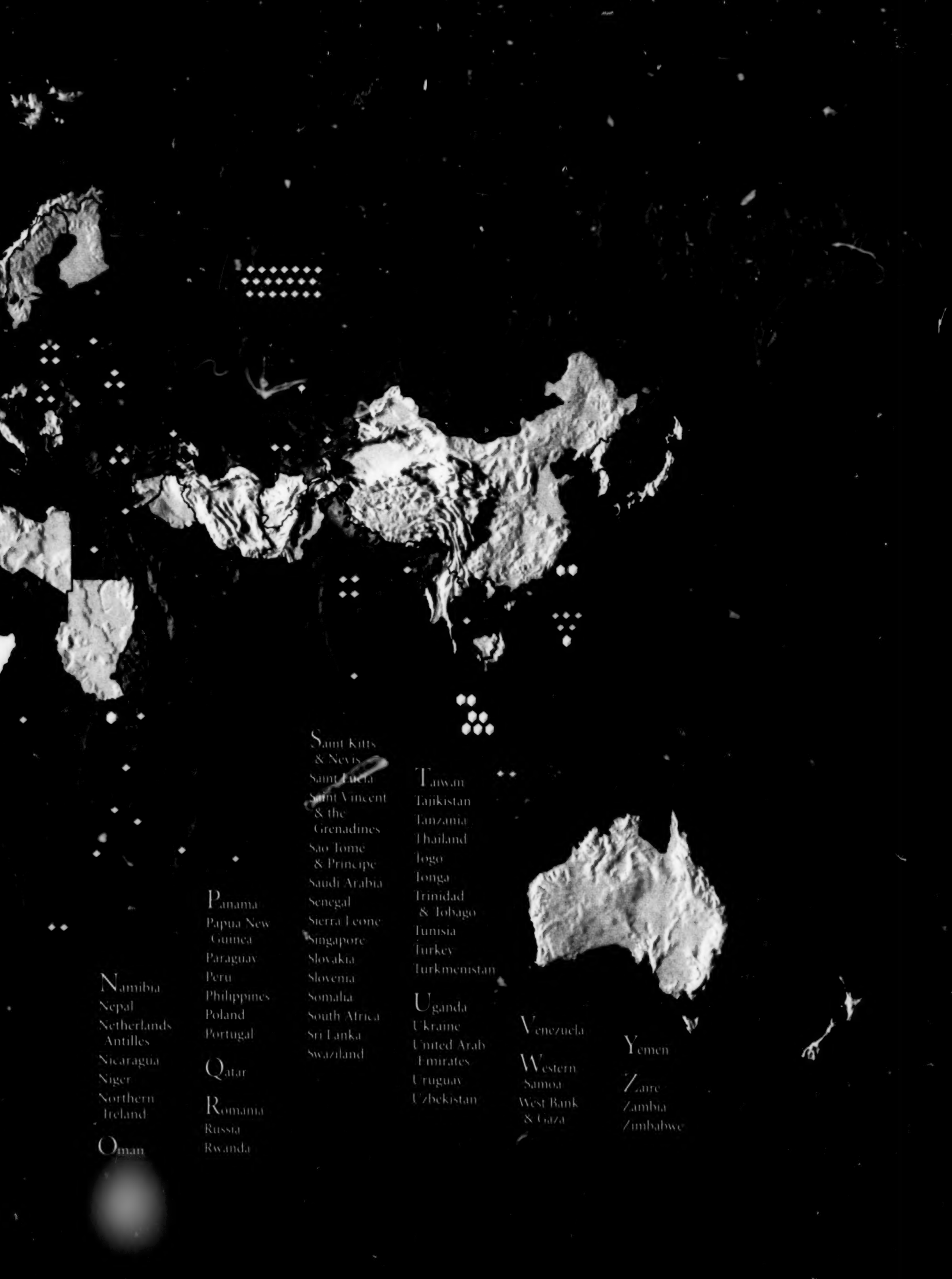
1994 brought a number of significant firsts for OPIC and several of its clients in the mining sector. The first U.S. investment in Russia's mining sector is being undertaken with OPIC support by Cyprus Amax Minerals Company. Cyprus will be developing a gold and silver deposit in the Russian Far East in a joint venture with five Russian organizations.

OPIC committed \$52.5 million in debt to the project, and worked with the Russian government toward [REDACTED] that apply to other new mining ventures. OPIC is cofinancing this project with the European Bank for Reconstruction and Development.

OPIC is also supporting a gold mining project in Kyrgyzstan — OPIC's first project in that country, as well as the single largest U.S. investment there to date. With \$87 million in OPIC financing, MK Gold Company of Boise, Idaho, is expanding its overseas operations and establishing a presence in a mineral-rich area.







Saint Kitts  
& Nevis  
Saint Lucia  
Saint Vincent  
& the  
Grenadines  
Sao Tome  
& Principe  
Saudi Arabia  
Senegal  
Sierra Leone  
Singapore  
Slovakia  
Slovenia  
Somalia  
South Africa  
Sri Lanka  
Swaziland

Panama  
Papua New  
Guinea  
Paraguay  
Peru  
Philippines  
Poland  
Portugal

Qatar  
Romania  
Russia  
Rwanda

Namibia  
Nepal  
Netherlands  
Antilles  
Nicaragua  
Niger  
Northern  
Ireland  
Oman

Taiwan  
Tajikistan  
Tanzania  
Thailand  
Togo  
Tonga  
Trinidad  
& Tobago  
Tunisia  
Turkey  
Turkmenistan

Uganda  
Ukraine  
United Arab  
Emirates  
Uruguay  
Uzbekistan

Venezuela  
Western  
Samoa  
West Bank  
& Gaza

Yemen  
Zaire  
Zambia  
Zimbabwe



## 1994 PROJECTS

OPIC supports U.S. investments in a wide variety of business sectors ranging from agriculture and manufacturing to construction and tourism. Fiscal year 1994 reflected the highest level of activity in the Corporation's 23-year history. OPIC's 1994 projects supported total investment of \$11.3 billion in 48 countries, including nearly 30 projects facilitating \$2.1 billion of investment in the New Independent States of the former Soviet Union. These projects will generate an estimated \$5.5 billion in U.S. exports and create or maintain some 90,000 person-years of direct and indirect U.S. employment.

Below is a list of all new, expansion or modernization projects financed and/or insured by OPIC in fiscal year 1994. Appearing in parentheses are the names of joint venture companies receiving OPIC financing, immediately preceded by the names of the U.S. partner(s) in those ventures.

COMPANY	PROJECT	ASSISTANCE*	
		AMOUNT	TYPE
CENTRAL & EASTERN EUROPE REGION			
Calvert Emerging Europe Fund for Sustainable Development L.P.	Investment fund	\$ 42,000,000	Finance
NEW INDEPENDENT STATES			
First NIS Regional Fund L.L.C. **	Investment fund	20,000,000	Finance
NIS Major Projects Fund L.P.	Investment fund	225,000,000	Finance
Russia Partners Company L.P.	Investment fund	37,500,000	Finance
BELARUS			
Alliant Techsystems, Inc.	Defense conversion	5,900,000	Insurance
HUNGARY			
Citibank Overseas Investment Corporation	Banking	88,256,816	Insurance
Consolidated Companies/Denver & Ephrata Telephone & Telegraph/HunTel Systems/ United International Holdings, Inc. (Monor Telefon Tavasag RT)	Telecommunications	30,000,000	Finance
U S WEST, Inc. (WESTEL 900 GSM Mobile Telecommunications Company, Ltd.)	Telecommunications	45,000,000	Finance
KAZAKHSTAN			
M-I Drilling Fluids Company	Oil services	2,650,000	Insurance
KYRGYZSTAN			
MK Gold Company (Jerooy Gold Company)	Gold ore processing	87,000,000	Finance

\*For finance, this figure represents the dollar amount committed. For insurance, this figure represents the largest single coverage amount.

\*\*Investment by this fund is also available for projects in Estonia, Latvia and Lithuania.

**POLAND**

Citibank, N.A.	Banking	\$ 8,010,000	Insurance
Citibank Overseas Investment Corporation	Banking	19,600,000	Insurance
International Paper Company (Kwidzyn, S.A.)	Pulp and paper mill	50,000,000	Finance
Poland Partners L.P.	Investment fund	39,000,000	Finance

**ROMANIA**

Brotech Corporation	Ion exchange resins	15,000,000	Insurance
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**RUSSIA**

All Alaskan Seafoods, Inc.	Fishing fleet	13,000,000	Finance
Anderman/Smith Overseas, Inc. (Chernogorskoye L.L.C.)	Oil production	40,000,000	Finance
Andrew Corporation	Telecommunications	8,400,000	Insurance
Andrew Corporation	Telecommunications	5,400,000	Insurance
Caterair International Corporation	Airline catering	1,840,540	Insurance
Citibank Overseas Investment Corporation	Banking	25,000,000	Insurance
Coca-Cola Export Corporation	Soft drink bottling	105,057,000	Insurance
Cyprus Amax Minerals Company (Omoion Gold Mining Company)	Gold mining	52,500,000	Finance
E.I. Du Pont de Nemours & Company	Oil production	200,000,000	Insurance
East West Invest L.P.	Restaurant franchises	2,000,000	Insurance
International Business Communications Systems, Inc.	Satellite telecommunications	25,381,554	Insurance
Kay Khosro Hakakian	Department store	900,000	Insurance
Mars, Inc.	Food products	200,000,000	Insurance
Mid-Com Communications, Inc.	Telecommunications	38,000,000	Insurance
N C International Company	Parts and equipment distribution	8,000,000	Insurance
Paccar International	Truck parts distribution	500,000	Insurance
Phibro Energy Production, Inc.	Oil and gas production	20,000,000	Insurance
SFMT, Inc.	Telecommunications	60,000,000	Finance
Snyder Oil Corporation (Permtex)	Oil production	40,000,000	Finance
U S WEST, Inc.	Cellular telephone services	10,000,000	Insurance
U S WEST, Inc. (Russian Telecommunications Development Corporation)	Telecommunications	125,000,000	Finance

**TURKEY**

Citibank, N.A.	Banking	330,000	Insurance
Enron Corp./Wing International, Ltd. (Trakya Elektrik Uretim ve Ticaret)	Electric power generation	85,000,000	Finance
Louis Berger Group, Inc.	Road construction consulting	2,380,288	Insurance

**UKRAINE**

Alliant Techsystems, Inc.	Defense conversion	\$ 3,000,000	Insurance
Alliant Techsystems, Inc.	Defense conversion	16,200,000	Insurance
Generation Ukraine, Inc.	Office building management	405,000	Insurance

**UZBEKISTAN**

Chemical Bank Corporation	Gold ore processing	6,074,000	Insurance
Newmont Mining Corporation	Gold ore processing	15,750,000	Insurance

**ARGENTINA**

C M S Generation Company	Electric power generation	30,000,000	Insurance
First National Bank of Boston	Office equipment distribution	30,000,000	Insurance
First National Bank of Boston	Oil exploration	24,000,000	Insurance
GTE Corporation/AT&T International, Inc. (CTP Compafía de Teléfonos del Interior, S.A.)	Cellular telephone services	200,000,000	Finance
Kimberly Clark Corporation	Disposable diapers	9,270,000	Insurance
Marriott International, Inc. (Marriott Plaza Hotel)	Hotel	9,000,000	Finance
		34,306,400	Insurance

**BOLIVIA**

Edward R. Derksen (BHN Multibanco, S.A.)	On-lending facility	7,500,000	Finance
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**BRAZIL**

First National Bank of Boston	On-lending facility	100,000,000	Finance
First National Bank of Boston	Restaurants	19,964,752	Insurance
United International Holdings, Inc.	Cable television	19,980,000	Insurance

**CHILE**

Citibank Overseas Investment Corporation	Credit card services	12,400,000	Insurance
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**COLOMBIA**

Citibank Colombia-Nassau	Transportation equipment	9,000,000	Insurance
Citibank Overseas Investment Corporation	Financial services	9,000,000	Insurance
Enron Corp.	Natural gas pipeline	100,000,000	Insurance

**COSTA RICA**

Citibank Overseas Investment Corporation	Banking	5,400,000	Insurance
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<b>ECUADOR</b>			
Citibank, N.A.	Banking	\$ 700,000	Insurance
<b>GRENADA</b>			
WRB Enterprises, Inc.	Electric power generation	7,500,000	Insurance
<b>HONDURAS</b>			
Citibank, N.A.	Banking	1,282,500	Insurance
Benjamin O. Turnage	Wood products	719,300	Insurance
<b>JAMAICA</b>			
Citibank, N.A.	Air terminal construction	90,000,000	Insurance
Steven D. & Elizabeth M. Welch	Hotel	1,200,000	Insurance
<b>NICARAGUA</b>			
La Ponderosa International, Inc.	Construction equipment leasing	204,930	Insurance
<b>PERU</b>			
Citibank, N.A.	Banking	18,540,000	Insurance
Coca-Cola Export Corporation	Soft drink bottling	12,993,750	Insurance
<b>URUGUAY</b>			
Philadelphia International Equities	Banking	2,160,000	Insurance
<b>VENEZUELA</b>			
Adelphia Communications International	Cable television	8,100,000	Insurance
L G & E Energy Systems, Inc.	Electric power generation	65,000,000	Insurance
Pride Petroleum Services, Inc.	Oil production	50,000,000	Insurance
Radio Movil Digital Americas, Inc. (Radio Móvil Digital Venezuela, C.A.)	Mobile radio communications	7,500,000	Finance
Samson International, Ltd.	Oil production	225,000	Insurance
<b>ALGERIA</b>			
Bechtel Group, Inc.	Natural gas pipeline	54,549,769	Insurance
<b>CONGO</b>			
Walter International, Inc./ Nuevo Energy Company (Yombo Field Project)	Oil production	50,000,000	Finance
		100,000,000	Insurance

<b>CÔTE D'IVOIRE</b>			
Africa Growth Fund L.P.	Coffee processing	\$ 3,200,000	Insurance
Trade Ventures Network	Coffee processing	1,100,000	Insurance
<b>EGYPT</b>			
Citibank, N.A.	Banking	20,000,000	Insurance
<b>GAZA</b>			
Buchheit International, Ltd.	Concrete casting	3,330,000	Insurance
<b>GUINEA</b>			
Louis Berger Group, Inc.	Agricultural export consulting	1,710,000	Insurance
<b>KENYA</b>			
Citibank, N.A.	Banking	2,555,556	Insurance
<b>KUWAIT</b>			
Turner International Industries, Inc.	Construction management	3,742,200	Insurance
<b>MADAGASCAR</b>			
Advanced Telecommunications Technology, Inc. (Telecel Madagascar, S.A.)	Telephone system	9,000,000	Finance
<b>MALAWI</b>			
Cargill, Inc.	Hybrid seed distribution	6,801,325	Insurance
<b>MAURITIUS</b>			
Africa Growth Fund L.P.	Gasoline distribution	8,100,000	Insurance
<b>MOROCCO</b>			
Citibank, N.A.	Banking	8,667,547	Insurance
<b>MOZAMBIQUE</b>			
Louis Berger Group, Inc.	Road construction consulting	1,200,000	Insurance
<b>NIGERIA</b>			
Citibank Overseas Investment Corporation	Banking	12,758,000	Insurance
<b>SOUTH AFRICA</b>			
BMI International Corporation	Laundry centers	9,300,000	Finance
Duracell, Inc.	Battery sales and distribution	12,720,000	Insurance
<b>TANZANIA</b>			
Africa Growth Fund L.P. (Gulf Africa Petroleum Corporation)	Gasoline distribution	15,000,000	Finance



**TUNISIA**

Citibank, N.A.	Banking	\$ 17,000,000	Insurance
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**ZIMBABWE**

Cargill, Inc.	Hybrid seed distribution	4,000,000	Insurance
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**BANGLADESH**

American Express Bank, Ltd.	Banking	20,000,000	Insurance
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**INDIA**

AES Corporation	Electric power generation	75,000,000	Finance
(Ib Valley Power Private, Ltd.)		150,000,000	Insurance
Enron Corp./Bechtel Group, Inc./	Electric power generation	100,000,000	Finance
General Electric Company		200,000,000	Insurance
(Dabhol Power Company)			
Gillette Company	Razor blade manufacturing	43,715,194	Insurance
Pushpa Polymers, Ltd./Soros Group	Chemical manufacturing	15,000,000	Finance
(Pushpa Polymers Private, Ltd.)			

**INDONESIA**

Citibank, N.A.	Banking	10,000,000	Insurance
Mission Energy Company	Electric power generation	200,000,000	Insurance

**PHILIPPINES**

California Energy Company, Inc./	Electric power generation	40,000,000	Finance
Kiewit Energy Company		100,000,000	Insurance
(CE Luzon Geothermal Power Company, Inc.)			
California Energy Company, Inc.	Electric power generation	70,000,000	Insurance
Citibank, N.A./Enron Corp./	Electric power generation	69,200,000	Insurance
First National Bank of Boston			
Levi Strauss & Company	Apparel	1,802,700	Insurance
Magma Power Company	Electric power generation	75,000,000	Finance
(Visayas Geothermal Power Company)			

**SRI LANKA**

Marriott International, Inc.	Hotel renovation and management	1,019,340	Insurance
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**THAILAND**

Citibank, N.A.	Banking	30,000,000	Insurance
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## OPIC CLIENTS

OPIC has a broad base of clients from virtually every state and industrial sector. Below is a representative list of U.S. companies with outstanding OPIC finance and/or insurance commitments.

■  
AES Corporation  
AT&T International, Inc.  
Abbott Laboratories  
Adelphia Communications International  
Admiral International Corporation  
Advanced Telecommunications Technology, Inc.  
Africa Growth Fund L.P.  
Agronom International, Inc.  
Air Products & Chemicals, Inc.  
All Alaskan Seafoods, Inc.  
Alliant Techsystems, Inc.  
American Cyanamid Company  
American Express Company  
American President Companies, Ltd.  
Ameritech  
Anderman/Smith Overseas, Inc.  
Andre Greenhouse, Inc.  
Andrew Corporation  
Applied Magnetics Corporation  
Ardaman & Associates, Inc.  
Argosy Energy International  
Asia Pacific Growth Fund L.P.  
Atlantic Industries, Ltd.  
Atlantic Tele-Network, Inc.

■  
BMI International Corporation  
Bancroft Eastern Europe Fund L.P.  
BankAmerica Corporation  
Bank of Boston  
Bankers Trust  
Battle Mountain Gold Company  
Bechtel Group, Inc.  
Bell Atlantic Corporation  
BellSouth Corporation  
Louis Berger Group, Inc.  
Bob's Candies, Inc.  
Brinks, Inc.  
Brotech Corporation  
Bucheit International, Ltd.

■  
C & W Trading Company, Inc.  
C M S Generation Company  
Cabot Corporation  
California Energy Company, Inc.  
Calvert Emerging Europe Fund L.P.  
Cargill, Inc.  
Carrier Corporation  
Caterair International Corporation  
Caterpillar, Inc.  
Chase Enterprises  
Chase Manhattan Corporation  
Chemical Banking Corporation  
Citibank, N.A.  
Clinton Electronics Corporation  
Columbian Chemicals Company  
Conair Corporation  
Conrad International Corporation  
Consolidated Companies  
Continental Bank, N.A.  
Continental Enterprises, Ltd.  
Continental Grain Company  
Continental Illinois Corporation  
Corning, Inc.  
Cray Research, Inc.  
Crown Cork & Seal Company, Inc.  
Cyprus Amax Minerals Company

■  
Dale Operating Company  
Data General Corporation  
J. DeBeer & Son, Inc.  
Del Monte Foods  
Denver & Ephrata Telephone & Telegraph  
Dillingham Corporation  
Direct Net Telecommunications, L.L.C.  
Dominion Resources, Inc.  
Dresser Industries, Inc.  
E.I. Du Pont de Nemours & Company  
Duracell, Inc.  
Durametallic Corporation

East West Invest L.P.  
Eden Roc Mineral Corporation  
Eight Hundred Seven CMT Corporation  
Engelhard Industries West  
Enron Corporation  
Environmental Systems Corporation  
Epstein Plant Acquisitions Bv  
Ernst & Young  
Euro Enterprises Company, Inc.  
Exxon Corporation

FMC Corporation  
Ferro Corporation  
First National Bank of Boston  
First NIS Regional Fund L.L.C.  
Fluor Corporation  
Ford Motor Company  
Freeport McMoRan, Inc.  
H B Fuller Company  
Fusion Enterprises, Inc.

GTE Corporation  
Gas Turbine Combined Cycle Associates  
General Electric Company  
General Motors Corporation  
Generation Ukraine, Inc.  
Gillette Company  
The Global Environment Emerging Markets Fund L.P.  
Goldman Sachs Company  
Graybar International, Inc.  
Guardian Industries Corporation

H S Q Technology  
R A Hanson Company, Inc.  
Harris Corporation  
Harsco Corporation  
George A. Hormel & Company  
J M Huber Corporation  
Hunt Oil Company  
HunTel Systems  
Hyatt International Corporation  
Hytronics Corporation

ITT Corporation of America  
Ingersoll-Rand Company  
Intel Corporation  
InterKiln Corporation of America  
International Business Communications Systems, Inc.  
International Paper Company  
International Telcell Group L.P.  
Israel Growth Fund L.P.

John Hancock Mutual Life Insurance Company

K & M Engineering & Consulting Corporation  
K S P Worldwide, Inc.  
Kabelkom Management Company  
Kaiser Aluminum & Chemical Corporation  
Kennametal, Inc.

Kern Steel Fabrication, Inc.  
Kerr-McGee Corporation  
Kiewit Energy Company  
Kimberly-Clark Corporation  
Kmart Corporation  
L G & E Energy Systems, Inc.  
La Ponderosa International, Inc.  
Lapp Insulator Company  
Leach & Garner Company  
Levi Strauss Associates, Inc.  
Loranger Manufacturing Corporation

M-I Drilling Fluids Company  
M J Z International Corporation  
MK Gold Company  
M.W. Kellogg Company  
Magma Power Company  
MagneTek, Inc.  
Mallon Minerals Corporation  
Marriott International, Inc.  
Mars, Inc.  
Maxim Integrated Products, Inc.  
Mellon Bank, N.A.  
Metl-Span Corporation  
Mid-Com Communications, Inc.



Midwest Enterprises, Ltd.  
Mission Energy Company  
A.C. Monk & Company, Inc.  
Mosbacher Energy Company  
Motorola Inc.

N C International Company  
N C R Corporation  
Nabors Industries, Inc.  
Newmont Mining Corporation  
Nord Resources Corporation  
Norwest Corporation  
Nuevo Energy Company  
Nylint Corporation  
NYNEX Corporation

P Q Corporation  
Paccar International, Inc.  
PADCO, Inc.  
Pan American Life Insurance Company  
Parke Davis & Company  
PepsiCo, Inc.  
Perini International Corporation  
Pfizer Inc.  
Phelps Dodge Corporation  
Phibro Energy Production, Inc.  
Philadelphia International Equities, Inc.  
Pioneer Group, Inc.  
Poland Partners L.P.  
Premark International, Inc.  
Premier Cleaning Contractors International, Inc.  
Pride Petroleum Services, Inc.  
Pryor, McClendon, Counts & Company, Inc.  
Puerto Quetzal Power Corporation  
Pushpa Polymers, Ltd.

R P A Leasing, Inc.  
Radio Movil Digital Americas, Inc.  
Ralston Purina Company  
Raychem Corporation  
Reynolds Metals Company  
Robin Enterprises Inc.  
Rose Hall, Ltd.  
John Royle & Sons

Russia Major Projects Fund L.P.  
Russia Partners L.P.

SPS Technologies, Inc.  
Samson International, Ltd.  
Schering-Plough Corporation  
Scientific-Atlanta, Inc.  
Seaboard Corporation  
SeaTec Systems, Inc.  
Sheraton International, Inc.  
Signode International, Ltd.  
Snyder Oil Corporation  
Soros Group  
Stanley Consultants, Inc.  
Sylvania Corporation

T A Industries, Inc.  
TCW America's Development Association L.P.  
TPC Foods, Inc.  
Tambrands, Inc.  
Tea Importers, Inc.  
Teepak, Inc.  
Texaco, Inc.

Tillotson Corporation  
Tioga Pipe Supply Company, Inc.  
Turner International Industries, Inc.

United International Holdings, Inc.  
United Texas Petroleum  
Universal Foods Corporation  
Universal Research Technologies, Inc.  
U S WEST, Inc.

Volt Information Services, Inc.

WRB Enterprises, Inc.  
Walter International, Inc.  
Warner-Lambert Company  
Wellington Hall, Ltd.  
Westinghouse Electric Corporation  
Wing International, Ltd.

Z H Computer Corporation



## REPORT OF INDEPENDENT ACCOUNTANTS

OFFICE OF GOVERNMENT SERVICES  
1801 K STREET, N.W.  
WASHINGTON, DC 20006  
TELEPHONE 202 296 0800

*Price Waterhouse LLP*



November 23, 1994

To the Board of Directors  
Overseas Private Investment Corporation

We have audited the accompanying balance sheets of the Overseas Private Investment Corporation (OPIC) as of September 30, 1994 and 1993, and the related statements of income, capital and retained earnings, and of cash flows for the years then ended. These financial statements are the responsibility of OPIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Also, in accordance with those standards and as part of our audit of OPIC's financial statements, we issued separate reports on internal controls and on compliance with applicable laws and regulations. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Overseas Private Investment Corporation at September 30, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Price Waterhouse LLP*

# BALANCE SHEET

## OVERSEAS PRIVATE INVESTMENT CORPORATION AT SEPTEMBER 30 (\$ in thousands)

	1994	1993
<b>ASSETS</b>		
Cash and investments:		
Cash (Note 4)	\$ 175,538	\$ 71,390
U.S. Treasury securities, at amortized cost plus accrued interest (Note 7)	2,119,038	1,942,033
	2,294,566	2,013,323
Direct loans outstanding of \$46,152 and \$53,128 less allowance for uncollectible loans of \$8,146 and \$7,286 in FY 1994 and FY 1993 (Notes 2 and 9)	38,006	45,842
Accounts receivable resulting from investment guaranties of \$85,543 and \$61,125 less allowance for doubtful recoveries of \$28,228 and \$21,741 in FY 1994 and FY 1993 (Note 10)	57,315	39,384
Assets acquired in insurance claim settlements of \$17,873 and \$20,284 less allowance for doubtful recoveries of \$13,521 and \$14,429 in FY 1994 and FY 1993 (Note 10)	4,352	5,855
Accrued interest and fees	5,145	3,910
Accounts receivable	1,600	4,320
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of \$3,808 in FY 1994 and \$2,360 in FY 1993 (Notes 2 and 14)	7,799	8,918
<b>TOTAL ASSETS</b>	<b>\$ 2,408,803</b>	<b>\$ 2,121,552</b>
<b>LIABILITIES, CAPITAL AND RETAINED EARNINGS</b>		
<b>Liabilities:</b>		
Reserve for political risk insurance (Note 2)	\$ 54,000	\$ 42,000
Reserve for investment guaranties (Note 2)	27,000	25,000
Accounts payable and accrued expenses	31,852	23,278
Borrowings from U.S. Treasury and related interest (Note 6)	16,252	7,757
Unearned premiums	27,636	24,345
Accrued dividend (Note 5)	16,583	0
Deferred income & rent incentives from lessor of \$14,372 and \$13,544 net of accumulated amortization of \$2,362 and \$1,528 in FY 1994 and FY 1993 (Note 14)	12,010	12,016
	185,333	134,396
Contingent liabilities (Notes 8, 9, and 16)		
<b>Capital and retained earnings:</b>		
Contributed capital	50,000	50,000
Credit appropriations (Note 5)	86,798	13,918
Statutory Reserves:		
Insurance (Notes 8 and 11)	1,287,231	1,287,231
Guaranty (Notes 9 and 11)	479,735	479,735
Retained earnings	329,687	196,282
	2,223,471	1,987,196
<b>TOTAL LIABILITIES, CAPITAL AND RETAINED EARNINGS</b>	<b>\$ 2,408,803</b>	<b>\$ 2,121,552</b>

The accompanying notes are an integral part of the financial statements.



## STATEMENT OF INCOME

**OVERSEAS PRIVATE INVESTMENT CORPORATION**  
**FOR THE YEARS ENDED SEPTEMBER 30 (\$ in thousands)**

	1994	1993
<b>REVENUES</b>		
Political risk insurance (Note 8)	\$ 48,291	\$ 44,073
Investment financing	25,256	20,531
Other operating income	543	458
Interest on U.S. Treasury securities	146,175	139,736
	<b>\$ 220,265</b>	<b>\$ 204,798</b>
<b>EXPENSES</b>		
Provisions for reserves:		
Political risk insurance (Note 2)	\$ 10,407	\$ 4,877
Investment financing (Notes 2 and 9)	15,064	19,510
Salaries and benefits (Notes 15 and 16)	14,809	10,609
Rent, communications and utilities (Note 14)	3,932	4,122
Contractual services	4,927	2,313
Travel	751	811
Depreciation and amortization	1,488	1,382
Other general and administrative expenses	1,698	977
	<b>\$ 53,076</b>	<b>\$ 44,601</b>
<b>NET INCOME</b>	<b>\$ 167,189</b>	<b>\$ 160,197</b>

*The accompanying notes are an integral part of the financial statements.*

# STATEMENT OF CAPITAL AND RETAINED EARNINGS

OVERSEAS PRIVATE INVESTMENT CORPORATION  
FOR THE YEARS ENDED SEPTEMBER 30 (\$ in thousands)

	Contributed Capital	Credit Appropriations	Statutory Reserves		Retained Earnings	Total
			Insurance (Notes 8 & 11)	Guaranty (Notes 9 & 11)		
BALANCE SEPTEMBER 30, 1992	\$ 50,000	\$ 9,973	\$ 1,287,331	\$ 479,755	\$ 0	\$1,826,959
Net income					160,197	160,197
Credit appropriations received		17,928				17,928
Credit appropriations used		(13,983)			13,983	0
Dividend declared to Treasury					(17,928)	(17,928)
BALANCE SEPTEMBER 30, 1993	\$ 50,000	\$ 13,918	\$ 1,287,331	\$ 479,755	\$ 156,352	\$ 1,987,156
Net income					167,189	167,189
Credit appropriations received		84,584				84,584
Credit appropriations disbursed		(11,704)			11,704	0
Dividend declared to Treasury					(16,583)	(16,583)
Transfer from A.I.D.					1,125	1,125
BALANCE SEPTEMBER 30, 1994	\$ 50,000	\$ 86,798	\$ 1,287,331	\$ 479,755	\$ 319,687	\$2,323,471

The accompanying notes are an integral part of the financial statements.



# STATEMENT OF CASH FLOWS

## OVERSEAS PRIVATE INVESTMENT CORPORATION FOR THE YEARS ENDED SEPTEMBER 30 (\$ in thousands)

	1994	1993
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from insurance clients	\$ 51,582	\$ 45,495
Cash received from finance clients	24,151	20,893
Cash received from preinvestment clients	543	458
Payments to suppliers and employees	(10,275)	(11,977)
Interest received	153,526	143,369
Assets acquired	(46,688)	(38,060)
Claim recoveries	23,534	12,532
Insurance claim payments	(546)	(3,851)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 194,827</b>	<b>\$ 168,859</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Maturity of U.S. securities	\$ 284,331	\$ 178,000
Purchase of U.S. securities	(468,817)	(325,115)
Disbursement of direct loans	(3,930)	(4,590)
Repayment of direct loans	8,646	13,544
Acquisition of furniture, equipment and leasehold improvements	(369)	(703)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>\$ (180,129)</b>	<b>\$ (138,864)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid to U.S. Treasury	0	\$ (35,002)
Credit appropriations received	84,584	17,938
Credit Reform borrowings from Treasury	8,000	7,678
Repayment of Credit Reform borrowings to Treasury	(78)	0
A.I.D. fund transfers received	3,160	2,242
A.I.D. fund transfers used or refunded	(4,115)	0
Cash (restricted)/unrestricted for:		
Credit Reform	(95,144)	(8,961)
Pre-Credit Reform	304	(20,085)
A.I.D.	2,990	(2,238)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>\$ (2,399)</b>	<b>\$ (38,438)</b>
<b>NET INCREASE (DECREASE) IN CASH, UNRESTRICTED</b>	<b>12,399</b>	<b>(8,433)</b>
<b>CASH AT BEGINNING OF YEAR, UNRESTRICTED</b>	<b>2,521</b>	<b>10,954</b>
<b>CASH AT END OF PERIOD, UNRESTRICTED</b>	<b>\$ 14,920</b>	<b>\$ 2,521</b>

The accompanying notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### OVERSEAS PRIVATE INVESTMENT CORPORATION SEPTEMBER 30, 1994 AND 1993

#### STATEMENT OF CORPORATE PURPOSE

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government agency created under the Foreign Assistance Act of 1961 (FAA), as amended, to facilitate U.S. private investment in developing countries and emerging market economies, primarily by offering political risk insurance, investment guaranties, direct loans, and preinvestment support.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue Recognition:** Guaranty and facility fees are amortized over the applicable loan period. Interest on loans is accrued based on the principal amount outstanding. Revenue from both loan interest payments and guaranty fees which are more than 90 days past due is recognized only when cash is received. Revenue from political risk insurance premiums is recognized on a pro-rata basis over the contract coverage period. Accretion of premium and discount on investment securities is amortized into income under a method approximating the effective yield method.

#### *Reserves for Political Risk Insurance and Investment*

**Guaranties:** The reserves for political risk insurance and investment guaranties provide for losses inherent in those operations. These reserves are general reserves, available to absorb losses related to the total insurance and guaranties outstanding, which are off-balance sheet commitments. The reserves are increased by provisions charged to expense and decreased for claims settlements.

The provisions for political risk insurance and investment guaranties are based on management's evaluation of the adequacy of the related reserves. This evaluation encompasses consideration of past loss experience and other factors, including changes in the composition and volume of the insurance and guaranties outstanding, and worldwide economic and political conditions.

**Allowance for Uncollectible Loans:** The allowance for uncollectible loan amounts and related accounts receivable is based on management's periodic evaluations of the loan portfolio. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, loan portfolio composition, and prior loan loss experience.

**Cash and Investments held by the U.S. Treasury:** Substantially all of OPIC's receipts and disbursements are processed by the U.S. Treasury, which, in effect, maintains OPIC's bank accounts. For the purposes of the Statement of Cash Flows, OPIC's unrestricted funds in the U.S. Treasury are considered cash.

**Investment in U.S. Treasury Securities:** By statute, OPIC is authorized to invest funds derived from fees and other revenues related to its insurance and preinvestment programs in U.S. Treasury securities. Investments are carried at face value net of unamortized discount or premium and are generally held to

maturity. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

**Valuation of Assets Acquired in Claims Settlements:** Assets acquired in claims settlements are valued at the lower of management's estimate of the net realizable value of recovery or the cost of acquisition.

OPIC acquires foreign currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert foreign currency into U.S. dollars as well as in some direct loan and investment guaranty collection efforts. The U.S. dollar equivalent is recorded until utilized by OPIC or other agencies of the United States Government or until exchanged for U.S. dollars by the foreign government.

**Depreciation and Amortization:** Depreciation and amortization of fixed assets, leasehold improvements, and lease incentives are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 15 years.

**Acquisition Costs:** Costs of acquiring new insurance or finance business are expensed in the year incurred as such costs are not considered material.

#### INTRAGOVERNMENTAL FINANCIAL ACTIVITIES

OPIC, as a U.S. Government agency, is subject to financial decisions and management controls of the Office of Management and Budget (OMB). As a result of this relationship, OPIC's operations may not be conducted nor its financial position reported as they would be if OPIC were not a government corporation. Furthermore, in accordance with international agreements relating to its programs, as well as internal U.S. Government operating procedures, foreign currency acquired by OPIC can be used for U.S. Government expenses. This facility constitutes an additional means by which OPIC can recover U.S. dollars with respect to its insurance and investment financing programs which would otherwise be unavailable.

#### CASH

OPIC is restricted in its uses of certain cash balances, as described below. Cash balances as of September 30, 1994 and 1993 were as follows (dollars in thousands):

CASH ACCOUNTS	1994	1993
<b>RESTRICTED:</b>		
Pre-Credit Reform	\$ 38,781	\$ 39,085
Credit Reform	114,986	19,843
A.I.D. fund transfers	6,851	9,341
<b>UNRESTRICTED:</b>	14,950	2,521
<b>TOTAL</b>	<b>\$ 175,568</b>	<b>\$ 71,790</b>

The Federal Credit Reform Act established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act, and investment financing activity subject to the Act. OMB has precluded OPIC from investing its pre-Credit Reform cash



balances. Because those funds cannot be used for any purpose other than pre-Credit Reform financing activity, those balances are expected to continue to grow over time until they are determined to be unnecessary for OPIC's operations, at which point they will be returned to the general fund of the U.S. Treasury pursuant to the Act. Credit Reform balances are also maintained in the form of uninvested funds, but the U.S. Treasury pays OPIC interest on those cash balances. Those balances are also expected to grow as the volume of Credit Reform financings grows over time.

The Agency for International Development (A.I.D.) has entered into various memoranda of understanding with OPIC governing the transfer of funds from A.I.D. to OPIC to carry out specific program purposes. These cash balances may not be commingled with other OPIC cash and are available solely for the purposes of the individual agreements. Funds transferred to OPIC cover preinvestment activity in Africa, Latin America, Eastern Europe, the former Soviet Union, the West Bank and Gaza, and Asia.

#### CREDIT APPROPRIATIONS

Certain OPIC activities are subject to the Federal Credit Reform Act of 1990, which was implemented as of October 1, 1991.

The primary objective of Credit Reform is to identify the costs inherent in federal credit programs so that they may be compared more easily with the costs of other federal spending. To this end, beginning in fiscal year 1992, the cost of OPIC's credit activities — investment financing through direct loans and investment guaranties as well as credit-related administrative expenses — has been financed out of accounts funded by direct appropriations and borrowings from the U.S. Treasury under the terms of this Act. OPIC's noncredit activities, including its insurance program, were not affected by this Act.

OPIC receives direct appropriations equivalent to the net present value of the anticipated long-term cost to the government of both direct and guaranteed loans — referred to as "subsidy" costs — as well as the administrative costs related to its credit program.

The following table shows the status of appropriations for credit activities (dollars in thousands):

CREDIT APPROPRIATIONS	RECEIVED	DISBURSED	UNDISBURSED
1992			
Credit subsidy costs	\$ 5,946	\$ 7,626	\$ 1,320
Credit administrative costs	8,128	7,276	352
1993			
Credit subsidy costs	5,900	1,302	8,498
Credit administrative costs	8,128	7,808	320
1994			
Credit subsidy costs	75,085	72	74,993
Credit administrative costs	9,558	8,204	1,314
TOTAL	\$ 119,585	\$ 32,788	\$ 86,797

During 1994, OPIC received \$84.6 million in appropriations to cover present and future costs associated with credit transactions entered into in 1994. Costs incurred on these activities during 1994 were \$8.3 million, which were funded with appropriated money. Appropriations for subsidy costs are available for two years. OPIC committed a total of \$53.6 million against the 1994 subsidy appropriations, but disbursed only \$72,000 as of September 30, 1994. The remaining undisbursed appropriations have been recorded as appropriated capital as of September 30, 1994.

In 1994, OPIC received two transfers of subsidy authority, totaling \$66 million, from other agencies. Pursuant to OPIC's appropriations legislation for fiscal year 1995, OPIC received a supplemental appropriation for fiscal year 1994 of \$12 million from funds available to the Export-Import Bank. In addition, pursuant to a 1994 amendment to the Foreign Assistance Act of 1961, OPIC received a transfer of \$54 million in subsidy from the Agency for International Development to be used exclusively to finance projects in the New Independent States (NIS).

OPIC accrued a dividend of \$16.6 million in fiscal year 1994 equal to the direct appropriations received in fiscal year 1994. The dividend was declared because, although OPIC was required to fund its credit activities through direct appropriations, it was able to meet all operating needs with current cash flows.

#### BORROWINGS FROM THE U.S. TREASURY

In accordance with the Federal Credit Reform Act of 1990, the estimated long-term cost, or subsidy, of new investment financing activities is funded by direct appropriations (Note 5), while the balance must be funded by borrowings from the U.S. Treasury. OPIC may not use funds accumulated through pre-Credit Reform activities, or through insurance operations, to make new direct loans or to pay new investment guaranty claims. New borrowings for Credit Reform financings totaled \$3 million in 1994, and \$7.8 million in 1993. Of the \$8 million borrowed in 1994, \$3.3 was actually disbursed to borrowers and the remaining \$4.7 was on deposit with the U.S. Treasury available for disbursement at year end. OPIC paid a total of \$255,000 and \$77,000 in interest to the U.S. Treasury during fiscal years 1994 and 1993, and one repayment in the amount of \$78,000 was made in 1994 under OPIC's borrowing agreements with the U.S. Treasury.

Future payments and interest rates for borrowings outstanding at September 30, 1994 are as follows (dollars in thousands):

PAYMENT DUE IN:	INTEREST RATE	PRINCIPAL AMOUNT DUE
Fiscal years 1995 - 1999	4.10%-4.34%	\$ 4,136
Fiscal years 2000 - 2005	5.05%-6.42%	7,471
Fiscal year 2006	6.10%	4,081
TOTAL		\$ 15,688

### INVESTMENT IN U.S. TREASURY SECURITIES

The amortized cost and estimated market value of investments in U.S. Treasury securities are as follows (dollars in thousands):

	GROSS AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
At Sept. 30, 1994:	\$ 2,078,944	\$ 17,826	\$ (70,857)	\$ 2,025,913
At Sept 30, 1993:	\$ 1,901,809	\$ 300,456	\$ 0	\$ 2,102,365

The amortized cost and estimated market value of U.S. Treasury securities at September 30, 1994, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities if OPIC exercises its right to sell securities prior to maturity (dollars in thousands):

	AMORTIZED COST	ESTIMATED MARKET VALUE
Due in one year or less	\$ 149,053	\$ 150,795
Due after one year through five years	473,619	479,729
Due after five years through ten years	344,403	337,357
Due after ten years	1,111,869	1,058,132
<b>TOTAL</b>	<b>\$ 2,078,944</b>	<b>\$ 2,025,913</b>

There were no sales of investments in U.S. Treasury securities in 1994. Proceeds from sales of investments in U.S. Treasury securities were \$3 million in 1993. Gross gains and losses were less than \$25,000 in 1993. Accrued interest totaled \$40.1 million at September 30, 1994 and \$40 million at September 30, 1993.

### INSURANCE PROGRAM

Insurance revenues include the following components (dollars in thousands):

AS OF SEPTEMBER 30	1994	1993
Political risk insurance premiums	\$ 46,930	\$ 42,046
Miscellaneous insurance income	1,771	2,027
<b>TOTAL INSURANCE REVENUE</b>	<b>\$ 48,701</b>	<b>\$ 44,073</b>

OPIC's capital and retained earnings available for insurance at September 30, 1994 and 1993 totaled \$1.7 and \$1.5 billion, respectively. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and (C) guaranties issued in settlement of claims arising under insurance contracts.

(A) *Political Risk Investment Insurance:* OPIC issues insurance under limits fixed by the statutory authorization in the FAA. The utilization of these authorized amounts (excluding obligations under guaranties issued in settlement of claims) is as follows (dollars in thousands):

AS OF SEPTEMBER 30, 1994	UNUSED TOTAL AUTHORITY	OUT- STANDING
Statutory authorization: Section 235 of FAA	\$9,000,000	\$ 771,000
		\$8,229,000

Subsequent to September 30, 1994, OPIC's statutory authority to issue insurance was increased to \$13.5 billion.

OPIC insures investments for up to 20 years against three different risks: inconvertibility of currency, expropriation, and political violence. Insurance coverage against inconvertibility protects the investor from increased restrictions on the investor's ability to convert local currency into U.S. dollars. Inconvertibility insurance does not protect against devaluation of a country's currency.

Expropriation coverage provides compensation for losses due to confiscation, nationalization or other governmental actions that deprive the investor of its fundamental rights in the investment.

Insurance for political violence insures investors against losses caused by politically motivated acts of violence (war, revolution, insurrection or civil strife, including terrorism and sabotage).

Under most OPIC insurance contracts, investors may obtain all three coverages, but claim payments may not exceed the aggregate single highest coverage amount. Claim payments are limited by the value of the investment and the amount of current coverage in force at the time of the loss, and may be reduced by recoveries from other sources. Losses on insurance claims may be further reduced by recoveries by OPIC as subrogee of the insured's claim against the host government.

The "outstanding" amount shown in the previous chart is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk. A more realistic measure of OPIC's actual exposure to insurance claims is the aggregate single highest "current" coverage in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 1994 was \$5.1 billion.

(B) *Pending Claims:* At September 30, 1994, the total amount of compensation formally requested in insurance claims for which no determination of specific liability has yet been made was approximately \$24.2 million.

In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action which the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notice of events that do not mature into claims.

The highly speculative nature of these notices, both as to the likelihood that the event referred to will ripen into a claim and the amount, if any, of compensation that may become due, leads OPIC to follow a policy of not recording a specific liability related to such notices in its financial statements. Any claims that might arise from these situations are factored into the non-specific reserve for political risk insurance.

(C) *Claims Settlement Guaranties:* OPIC also has off-balance sheet risk in connection with two claim settlements. In 1978 and 1984, OPIC entered into indemnity agreements with insureds under which OPIC could still be liable for up to \$12.6 million. OPIC also settled a claim in 1991 through a guaranty of \$30 million of host government obligations. Payments by it:



host government have reduced OPIC's exposure to \$27.8 million at September 30, 1994. Any claims that might arise from these situations are factored into the nonspecific reserve for political risk insurance.

#### INVESTMENT FINANCING

OPIC offers investment financing through direct loans and investment guaranties, which may be issued only as provided in advance by appropriation acts. Since fiscal year 1992, direct loans and investment guaranties were committed in accordance with the Federal Credit Reform Act of 1990, pursuant to which loan disbursements and any claim payments for these commitments were funded through direct appropriations, borrowings from the U.S. Treasury, and the collection of fees. In fiscal years 1994 and 1993, \$75.1 million and \$9.8 million, respectively, were appropriated for credit subsidy costs. OPIC is in compliance with all relevant limitations and subsidy appropriations guidance.

(A) *Direct Loans:* OPIC is authorized under section 234(c) of the FAA to make loans to eligible firms for projects in developing and other eligible countries, on terms and conditions established by OPIC.

Interest income is not accrued on direct loans which have payments that are more than 90 days past due. Loans with payments more than 90 days past due totaled \$14 million at September 30, 1994 and \$21 million at September 30, 1993. If interest income had been accrued on those loans, it would have approximated \$3.7 million during fiscal year 1994 and \$800,000 during fiscal year 1993. Interest collected on delinquent loans and recorded as income when received amounted to \$200,000 and \$1.2 million for fiscal years 1994 and 1993, respectively.

Changes in the allowance for uncollectible loans during fiscal years 1994 and 1993 were as follows (dollars in thousands):

AS OF SEPTEMBER 30	1994	1993
Beginning balance	\$ 7,286	\$ 8,098
Charge-off	(1,307)	(1,034)
Recoveries	93	0
Provisions	3,075	332
ENDING BALANCE	\$ 8,146	\$ 7,396

(B) *Investment Guaranties:* To promote overseas investments, OPIC guarantees certain U.S. investments in developing and other eligible countries. This guaranty authority is provided for under Section 234(b) of the FAA and includes guaranties of loans and other investments. OPIC's investment guaranty covers the risk of default for any reason. In the event of a claim on OPIC's guaranty, OPIC makes payments of principal and interest to the lender. The loans that are guaranteed can bear either fixed or floating rates of interest and are payable in U.S. dollars. OPIC's losses on payment of a guaranty are reduced by the amount of any recovery from the borrower, the host government, or through disposition of assets acquired upon payment of a claim. Guaranties range in term from one to 15 years.

Section 235 of the FAA requires OPIC to maintain a Guaranty Reserve, which is reflected in the Capital and Retained Earnings section of the balance sheet under the heading "Statutory Reserves." At September 30, 1994 and 1993, the statutory Guaranty Reserve totaled \$479.8 million. This reserve has not been increased since the implementation of the Federal Credit Reform Act since the Act places restrictions on OPIC's use of previously built up capital.

The following schedule reflects the cumulative status of OPIC's statutory guaranty authority, commitments and outstanding balances (dollars in thousands):

AS OF SEPTEMBER 30	1994	1993
Statutory authorization:		
Section 235 of FAA	\$2,500,000	\$2,500,000
Less uncommitted authority	(494,000)	(1,350,000)
Total outstanding commitments	2,006,000	1,150,000
Less undischarged commitments	(1,371,000)	(657,000)
GUARANTIES OUTSTANDING	\$ 735,000	\$ 583,000

Due to provisions contained in the legislation creating the New Independent States (NIS) assistance package, OPIC's \$2.5 billion statutory ceiling was not applicable to new commitments issued in the NIS. The amount of OPIC's commitments resulting from the NIS assistance package totaled \$700 million, all of which remained undisbursed at September 30, 1994. Combined with commitments under OPIC's statutory authorization, total outstanding commitments were \$2.7 billion. Subsequent to September 30, 1994, OPIC's statutory authority to issue both direct loans and guaranties was increased to \$9.5 billion.

#### ASSETS ACQUIRED IN CLAIMS SETTLEMENTS

Claim related assets may result from payments on claims under either the insurance program or guaranties for the investment financing program. Under the financing program, when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of assets, generally local currency or host country notes, that may be acquired as a result of a claim settlement.

#### STATUTORY RESERVES AND FULL FAITH AND CREDIT

Section 235(c) of the FAA established a fund with separate accounts known as the Insurance Reserve and the Guaranty Reserve for the respective discharge of liabilities arising from investment insurance or from guaranties issued under Section 234(b) of the FAA. These reserves are reflected on the balance sheet as statutory reserves for each program: Insurance and Guaranty. These amounts may be increased by transfers from retained earnings or by appropriation.

All valid claims arising from investment insurance and guaranties issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under investment insur-

ance, and if OPIC exceeds its \$100 million borrowing authority authorized by statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA. The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations and borrowings from the U.S. Treasury, as appropriate, to carry out all obligations resulting from the investment financing program.

#### DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 1994 are as follows (*dollars in thousands*):

	CARRYING AMOUNT	FAIR VALUE
<b>FINANCIAL ASSETS</b>		
Cash	\$ 175,528	\$ 175,528
U.S. Treasury securities	2,078,944	2,025,913
Interest receivable on securities	40,094	40,094
Direct loans	38,006	38,006
Accounts receivable from investment guaranties	57,315	57,315
Assets acquired in insurance claims settlements	4,352	4,352
<b>FINANCIAL LIABILITIES</b>		
Borrowings from the U.S. Treasury	\$ (15,676)	\$ (12,328)

The methods and assumptions used to estimate the fair value of each class of financial instrument are described below:

**Cash:** The carrying amount approximates fair value because of the liquid nature of the cash, including restricted cash.

**U.S. Treasury securities:** The fair values of the U.S. Treasury securities are estimated based on quoted prices for Treasury securities of the same maturity available to the public. (OPIC is not authorized, however, to sell its securities to the public, but rather OPIC is restricted to direct transactions with the U.S. Treasury.) Interest receivable on the securities is due within six months and is considered to be stated at its fair value.

**Direct loans, accounts receivable, resulting from investment guaranties, and assets acquired in insurance claims settlements:** These assets are stated on the balance sheet at the amount expected to be realized. This value is based on management's quarterly review of the portfolio and considers specific factors related to each individual receivable. The stated value on the balance sheet is also management's best estimate of fair value for these instruments.

**Borrowings from the U.S. Treasury:** The fair value of borrowings from the U.S. Treasury is estimated based on the face value of borrowings discounted over their term at year-end rates. These borrowings were required by the Federal Credit Reform Act, and repayment terms are fixed by the U.S. Treasury in accordance with that Act.

**Investment guaranties committed and outstanding:** OPIC's investment guaranties are intended to provide a means of mobilizing private capital in markets where private lenders

would be unwilling to lend without the full faith and credit of the U.S. Government. Given the lack of marketability of OPIC's investment guaranties, it is not meaningful to calculate the fair value of these instruments.

#### CASH FLOWS

OPIC's statement of cash flows is presented based on actual cash flows. The following schedule provides a reconciliation of net income to net cash provided by operating activities:

FOR THE YEARS ENDED SEPTEMBER 30	1994	1993
<b>NET INCOME</b>	\$ 167,189	\$ 160,197
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	10,407	4,877
Investment financing	15,064	19,510
Amortization of premiums on U.S. securities	9,373	7,142
Amortization of discounts on U.S. securities	(2,022)	(1,523)
Depreciation and amortization	1,488	1,382
Premiums earned	(46,587)	(42,108)
Premiums received	49,876	43,530
Increase in accounts payable	13,150	5,712
Increase in accrued interest and fees	(1,005)	(624)
Decrease in accounts receivable	2,700	911
Assets acquired in claims settlements	(46,688)	(38,060)
Recoveries on assets acquired in claims settlements	22,534	12,532
Insurance reserve claim payments	(546)	(3,851)
(Decrease) Increase in deferred rent and incentives from lessors	(6)	232
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 194,827</b>	<b>\$ 168,899</b>

#### LEASE

OPIC moved to 1100 New York Avenue, N.W. during fiscal year 1992. Lease terms for the new space included various incentives from the lessor under which a fund was established to cover various costs associated with the move to the new building. Costs covered by the fund include all costs associated with terminating OPIC's obligations under its lease at 1615 M Street, N.W., including the transfer of office furniture and equipment to new tenants, as well as leasehold improvements in the new building to accommodate OPIC's needs. Total incentives from the new lessor to cover these costs were \$14.1 million. The value of these incentives is deferred in the balance sheet and will be amortized to reduce rent expense on a straight-line basis over the 15-year life of the lease.

Rental expenses for 1994 and 1993 were approximately \$2.7 million and \$2.7 million, respectively. Minimum future rental expenses under the 15-year lease at 1100 New York Avenue, N.W. will be approximately \$2.7 million annually, with additional adjustments tied to the consumer price index.



#### PENSIONS

OPIC's employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withholds 7 percent of employees' gross earnings. Their contributions are then matched by OPIC, and the sum is transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits. For FERS, OPIC withholds 0.8 percent of employees' gross earnings; in 1994, OPIC contributed 12.9 percent of employees' gross earnings. This sum is transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of the FERS employees' gross earnings are withheld and sent to the Social Security System from which the FERS employee group will receive social security benefits.

Both employee groups may elect to participate in the Thrift Savings Plan (TSP). Based on employee elections, 0 to 5 percent of gross CSRS earnings are withheld, and 0 to 10 percent of gross FERS earnings are withheld. FERS employees receive an automatic 1 percent contribution from OPIC. FERS employee elections are matched up to a total of 5 percent.

Although OPIC funds a portion of employee pension benefits under the CSRS, the FERS and the TSP and makes necessary payroll withholdings, it has no liability for future payments to employees under these programs. Furthermore, OPIC does not disclose the assets of the CSRS, FERS or TSP nor does it disclose actuarial data with respect to accumulated plan benefits or any unfunded pension liability. Paying retirement benefits and reporting plan assets and actuarial information is the responsibility of the U.S. Office of Personnel Management and the Federal Retirement Thrift Investment Board, which administer these plans. Data regarding the CSRS' and FERS' actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability are not allocated to individual departments and agencies.

#### POSTRETIREMENT BENEFITS

Beginning in fiscal year 1994, OPIC adopted the Statement of Financial Accounting Standard No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS 106). This standard requires a company to recognize the liability associated with postretirement benefit plans using the accrual method, rather than the pay-as-you-go method of accounting.

OPIC sponsors three defined benefit postretirement plans that cover qualifying employees. The three plans provide major medical coverage, dental and vision coverage, and life insurance. The medical and dental and vision plans are both contributory plans. The life insurance plan includes options that are contributory and noncontributory.

OPIC has adopted all provisions of SFAS No. 106, and has elected immediate recognition of the transition obligation amount of \$2,345,664. This amount consists of \$2,135,903 for the medical, dental, and vision benefits, and \$209,761 for the life

insurance benefits. The accumulated postretirement benefits obligation is unfunded at September 30, 1994. The obligation is comprised of the following:

#### ACCUMULATED POSTRETIREMENT BENEFITS OBLIGATION (APBO)

Retirees	\$ 672,410
Active employees fully eligible to retire	350,123
Active employees not fully eligible to retire	1,633,131
TOTAL	\$ 2,345,664

The net periodic postretirement benefit cost for fiscal year 1994 is summarized as follows:

#### NET PERIODIC POSTRETIREMENT COST

Service cost	\$ 130,578
Interest cost	162,217
TOTAL	\$ 292,795

For measurement purposes, the cost of providing medical benefits was assumed to increase 11%, decreasing annually thereafter to an annual rate of 5.5% in 2000. The medical trend rate assumption could have a significant effect on amounts reported. An increase of 1% in the assumed rate of increase would have had the effect of increasing the accumulated postretirement benefit obligation from \$2,345,664 to \$2,727,053. This same percentage would increase the net periodic postretirement benefit cost from \$292,795 to \$351,295. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7%. Employee earnings were estimated to increase 5% per annum.

#### OTHER CONTINGENCIES

OPIC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. Management believes that the resolution of these matters will not have a material adverse impact on the Corporation.

#### STATUTORY COVENANTS

OPIC's enabling statute stipulates both operating and financial requirements with which OPIC must comply. In management's opinion, OPIC is in compliance with all such requirements.

#### SUBSEQUENT EVENTS

In fiscal year 1995, OPIC's appropriations legislation was changed to permit OPIC to use funds accumulated from its noncredit operations to cover the costs associated with its new credit activities.

## OFFICERS & MANAGEMENT

**RUTH R. HARRIN**  
*President & Chief Executive Officer*

**CHRISTOPHER FINN**  
*Executive Vice President*

**JON HABER**  
*Special Counsel to the President*

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*Vice President*

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*Managing Director - Credit Policy & Administration*

**JACK McDONALD**  
*Managing Director - Project Finance*

**GRAHAM WILLIAMS**  
*Managing Director - Fund Programs*

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*Regional Manager - New Independent States*

**CHERYL W. KFORI**  
*Regional Manager - Latin America*

**F. CARL REINHARDT**  
*Regional Manager - Africa/Middle East/Asia*

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*Regional Manager - Europe*

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*Manager - Russia Investments Services*

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*Manager - Credit Analysis*

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*Deputy Vice President*

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*Acting Regional Manager - Asia/Middle East*

**EDITH P. QUINTRELL**  
*Regional Manager - Latin America/Africa*

**ANNE MARIE THURBER**  
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*Deputy Vice President*

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*Special Assistant to the Senior Vice President*

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*Director - Investment Policy & Environmental Affairs*

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*Director - Economic Analysis & Project Monitoring*

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*Deputy General Counsel*

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*Associate General Counsel - Investment*

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*Assistant General Counsel - Special Assets*

**JAMES R. OFFUTT**  
*Assistant General Counsel - Administrative Affairs*

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**MICHAEL W. SWEARINGEN**  
*Manager - Contract & Administrative Services*

**MILDRED O. CALLER**  
*Vice President & Treasurer*

**JOHN R. ALDONAS**  
*Manager - Portfolio Services*

**MARTHA C. EDMONDSON**  
*Manager - Accounting & Budget Execution*

**RALPH MATHEUS**  
*Manager - Special Assets*

**ARTURO T. UMATAM**  
*Manager - Credit Review & Internal Controls*



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Deputy U.S. Trade Representative

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Overseas Private Investment Corporation

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U.S. Department of Commerce

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Under Secretary for Economic & Agricultural Affairs  
U.S. Department of State

**JEFFREY R. SHAVER**  
Assistant Secretary of the Treasury for International Affairs  
U.S. Department of the Treasury

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Iowa Savings Bank  
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**SIMON FERRO**  
Becker & Polkinghorne P.A.  
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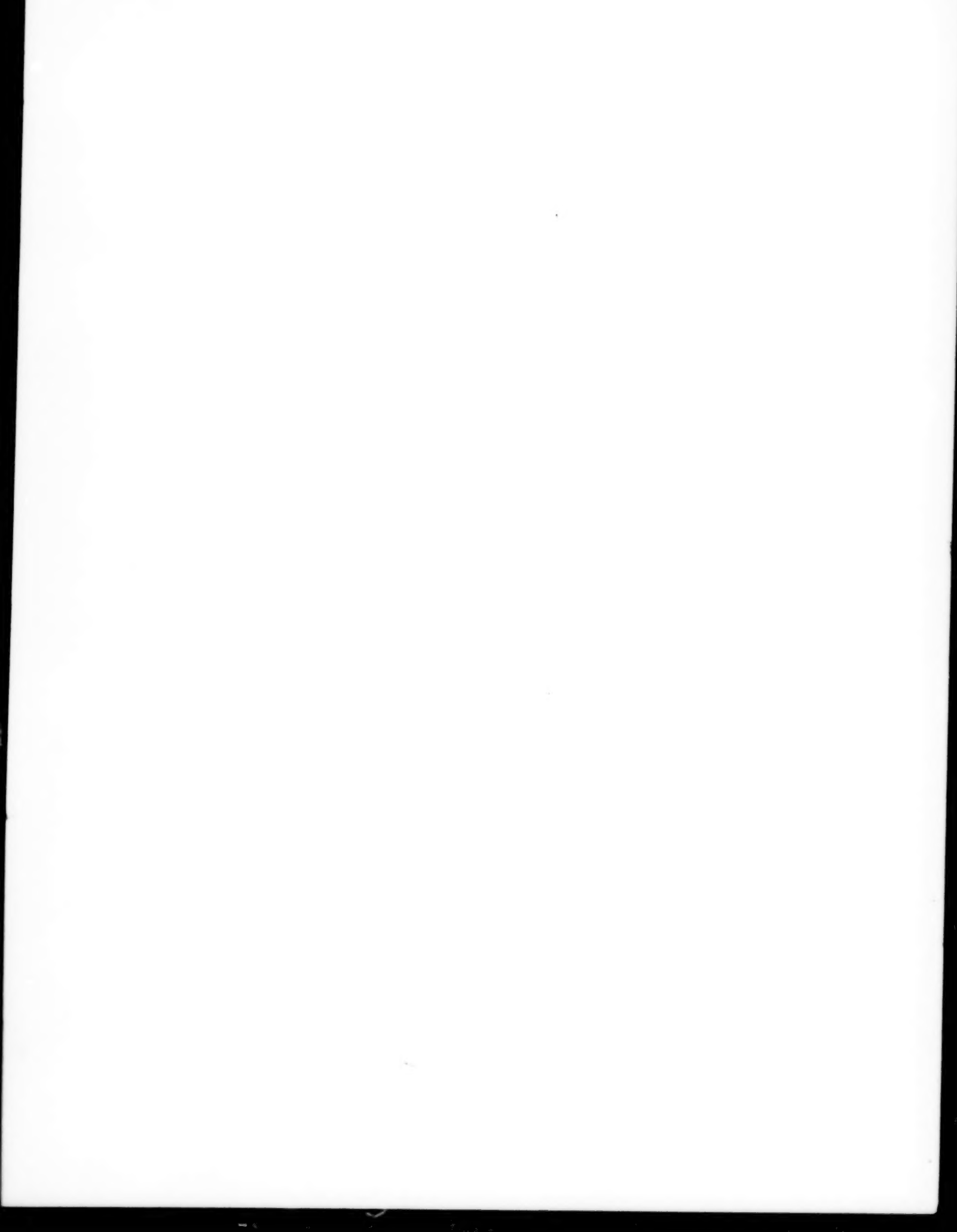
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**END**

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